



esbs Lending Criteria Guide – August 2023

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- Residential only as esbs does not lend on a Buy To Let basis.
- This is a guide only as criteria is subject to change at any time, so please always check with esbs before submitting an application.
- We would also welcome speaking with you for cases which are slightly out of criteria.

Term, Loan Amount & Valuation	
Min. Term	5 years
Max. Term	40 years
Min. Loan (Residential)	£20,000 purchase £25,001 Remortgage
Max. Loan (Residential)	£1,000,000 (£250,000 if a MMC property, or if a First Time Buyer 95% LTV, or if the applicant is a CIS worker without accounts or if the property is mixed use)
Min. Valuation (Residential)	No minimum
Affordability	
Income multiples	4.49 x joint (Can have up to four applicants). Must also pass on affordability calculator
Interest only: Is affordability calculated on interest only or repayment?	Interest only
Are dependants taken into account for affordability?	Yes
Minimum income required for residential mortgage?	Minimum income is 15K for interest only/standard – sole or joint. Minimum income on self-build is 35K or if B2L's in the back ground
Are repaid/consolidated debts still taken into account for affordability?	No
Time remaining on a loan where the payment will be ignored for affordability	We will not ignore any debt unless this is being paid off before completion. For income multiples (not affordability) we ignore if less than 2 years to run up to 75%LTV OR if over 75% we ignore for income multiples (not affordability) if less than £49 p/m and has less than 6 months to run

How are credit card commitments treated?	<i>If they will be remaining 3% of the balance remaining</i>
Childcare costs deducted?	<i>Yes</i>
School fees deducted?	<i>No</i>
Pension contributions deducted?	<i>No (unless deducted at source on payslips for affordability)</i>
Travel costs deducted	<i>Yes</i>
Leasehold service and ground rent costs deducted?	<i>Yes</i>
Second homes: How is the deduction calculated? Monthly payments x12 or total available lending minus mortgage balance?	<i>Total available lending less balance, also monthly repayments taken into account for affordability</i>
Second homes: Which bills are deducted if any from affordability?	<i>All outgoings</i>
Adverse	
CCJs	<i>No more than £500 (including any defaults) in total within the last 3 years & satisfied at any time up to application</i> <i>Also ok if registered & satisfied over 3 years ago</i>
Defaults	<i>No more than £500 (including any CCJs) in total within the last 3 years & satisfied at any time up to application</i> <i>Also ok if registered & satisfied over 3 years ago</i>
Mortgage Arrears	<i>2 missed payments in the last two years as long as there is a good explanation (combined with other commitments)</i>
IVA's	<i>Need to be cleared with no residual liability over three years to consider</i>
Bankrupts	<i>Need to be cleared with no residual liability over three years to consider</i>
Credit Score or Search (reference agency Used)	<i>Search only</i>
Soft or Hard Footprint	<i>At application stage - hard</i>
Late Payments on Unsecured Debts	<i>2 missed Payments in the last two years combined with other commitments</i>
Debt Management Scheme/Length of time since been in Debt Management Scheme	<i>Debt management plans need to be cleared for over three years for us to consider</i>
Pay Day Loans	<i>Not acceptable if more than one in the last 12 months. If they have had any before this we can consider</i>
Repossessions	<i>Need to be cleared with no residual liability for over three years for us to consider</i>

Age	
Min. Residential	18
Max. Residential	85 for repayment 80 for interest only
Age at which projected pension income is requested	When under 10 years from stated retirement age, If person's income is to be used we can lend to our max age to employed & self-employed if feasible and that's their planned retirement date
Benefits	
Tax Credits	75% provided sufficient longevity (child is 9 years or younger) - earned income is also required
Child Benefit	75% provided sufficient longevity (child is 9 years or younger) - earned income is also required
DLA	75% - earned income is also required
Carers Allowance	75% - earned income is also required
Universal Credit	75% - earned income is also required
Capital Raising Residential	
Business Purposes	Please refer to your BDM to discuss the situation - this is generally acceptable provided not a start-up.
Debt Consolidation	75% LTV Maximum (we will also pay the creditors upon completion). Debt consolidation element cannot be on an interest only basis
Contract/Agency Workers	
Requirements for employed contractor? (length of time contracting and renewal requirements)	9 months to run plus one roll over
Self-employed contracts?	We would work off the accounts figures
Will you accept first contracts?	No but refer to BDM if long term on the first contract
Zero Hours and Piecework Contracts	2 years with the same employer is required
Agency Workers	Refer to BDM if they have been with the same employer for 2 years
CIS workers	<p>CIS income is acceptable without accounts or tax returns, provided the following is met:</p> <ul style="list-style-type: none"> • Employment reference received and stating that there are no plans to change the employment • They must be able to prove 24 months in the industry • They must have been with the same employer for at least six months and have had no more than 2 employers in the previous 12 month period • Gross income for income multiples is calculated at Hourly rate x 7 x 5 days x 46 weeks • Net income for affordability (with tax and national insurance contributions deducted) would be an average of the last six months' payslips • Max loan £250,000

Day One Remortgage	
Residential	Yes
Deposits	
Builder Deposits	<i>Would reduce the valuation / purchase price by the deposit amount therefore own deposit still required</i>
Family Gifted Deposits (Cash and/or Equity)	<i>Yes the deposit needs to be at least 10% and this can be made up by the customers if the gift is less than 10% (or larger deposit depending on the esbs max valuation rules). We will need our Gifted Deposit Form completed (found on this page - https://www.esbs.co.uk/intermediaries/) and an indemnity will need to be arranged</i>
Vendor Gifted Deposit (Cash and/or Equity)	<i>Yes the deposit needs to be at least 10% and this can be made up by the customers if the gift is less than 10% (or larger deposit depending on the esbs max valuation rules). We will need our Gifted Deposit Form completed (found on this page - https://www.esbs.co.uk/intermediaries/) and an indemnity will need to be arranged</i>
Housing Scheme	
Help to Buy 1?	No
Help to Buy: How is the equity loan calculated for affordability?	n/a
Help to Buy: Do you allow remortgages?	<i>Yes – if the help to buy loan is cleared in full</i>
Do you accept Forces Help to Buy	No
Shared Equity	No
Shared Ownership	No
Right to Buy & Right to Acquire	<i>100% of discount 90% LTV of the open market value to include home improvements (Subject to esbs usual max valuation rules i.e. 75% for Flats/Maisonettes or 80% any property in London/South East) Houses must be of standard construction</i>
Income - Acceptable	
Guaranteed Bonus	100%
Regular Bonus	75%
Guaranteed Overtime	100%
Regular Overtime	75%
Commission	<i>100% if guaranteed, 75% if regular but cannot exceed 100% of the basic</i>
Paid in cash	<i>Yes if payslips and equivalent amount is paid into the applicant's bank account</i>
Maintenance	<i>75% where court order and history of payments</i>

Pension Income	<i>Both accepted and must be receiving unless they are employed and will switch to pension before the term ends. In which case we would ignore the employed income and work on the projected pension figures – 70% Max LTV if over 50% of the income is from pensions</i>
Maternity Pay	<i>If applicant is returning less than 4 months away, plus returning on the same basis, and a letter received from the employer confirming this, then we can use the full income</i> <i>If the applicant is returning on a different basis, letter needed from the employer, and we will use that income.</i> <i>If the applicant has more than 4 months remaining on maternity leave we will only take maternity pay that is being received</i>
Foster Carers Income	<i>Yes as employed. Need to see remittances and award letter</i>
Probationary Periods	<i>No</i>
Future Income	<i>Refer, but often 100% if there has been a satisfactory track record. Award letter and remittance advices to be seen</i>
Minimum length of time in current employment	<i>None, as long as they are not in probation</i>
2nd Job income (how is it assessed)	<i>There is no minimum length of time in second job employment as long as they are not in probation and hours are complementary and reasonable</i>
Interest Only	
Max. LTV	<i>75% (can do part and part thereafter)</i>
Acceptable Repayment Vehicles	<ul style="list-style-type: none"> • <i>An endowment policy</i> • <i>A pension plan</i> • <i>The sale of a business (where adequate capital value is clearly evident)</i> • <i>Other investments, including the sale of a UK BTL property (subject to assessment)</i> • <i>Downsizing if 150K or 25% equity (greater of two)</i>
Can repayment vehicles be a mixture of these allowable vehicles or just a single vehicle?	<i>Mixture</i>
Retirement interest only mortgages – acceptable?	<i>We do not offer RIOs</i>
Property Types	<i>Houses only, and those without restrictions e.g. Agricultural tie, S106, Age related, Overage</i>
Let to Buy	
Maximum LTV (for onward purchase)	<i>We do not do Let 2 Buys, however we are fine for one to be in place if we are to mortgage the onwards residential purchase</i>
LTB/ Background Property	<i>To ignore, AST needed from day 1 – rent must be 140% of interest at 5.5%, if there is a shortfall will be classed as a commitment</i>
Is consent to let/mortgage offer required from existing lender?	<i>Yes</i>
If shortfall on the rental how is this treated? Can the difference be taken as a commitment or is the entire mortgage taken as a commitment?	<i>Classed as a commitment</i>
Can surplus rent be used to top up income?	<i>Tax return figure can be used</i>

Location	
England & Wales	Yes
Scotland	No
Northern Ireland	No
LTVs	
General LTVs	<p>95% FTB only 90% Standard 90% if restricted property 80% if London/South East 75% if flat or maisonette 75% if self-build 75% if leased solar panels 70% if 50% or more of the income is pension 65% if property is age restricted (Higher Lending Charge, if applicable, may be applied to the mortgage with the cost met by esbs)</p>
Mixed Use Properties	
	<ul style="list-style-type: none"> • 50% maximum loan to value • Capital and interest only (not interest only) • Only 50% of income from the business carried out in the property can be used. Other earned income will be assessed as usual • Only a single room may be used for business purposes • No structural alterations or adaptations are permitted to accommodate the business use • No employees can work on the premises (except close relatives) • Any external advertising of its use is discreet and has relevant Local Authority approval, and the Local Authority to confirm no change of use required • No restrictive covenants on the property preventing business use • The property's buildings insurer is aware of and has agreed the incidental use • Relevant public liability insurance is in place • Business usage is for our borrower and does not pass with the title to a subsequent owner
New Build	
New Build Flats (Residential) LTV	<p>75% 70% if 50% more of the income is pension 65% if property is age restricted</p>
New Build House (Residential) LTV	<p>95% FTB only 90% Standard 90% if restricted property 80% if London/South East 75% if self-build 75% if leased solar panels 70% if 50% or more of the income is pension 65% if property is age restricted (Higher Lending Charge applicable if over 75% LTV)</p>
Mortgage offers valid for?	<p>6 Months purchase 3 Months Re mortgage</p>
Lenders definition of New Build	First owner
Self-build (max LTVs, will you lend on land?)	75% on land 75% as work progresses

Property

Flats above Commercial Premises	No
Ex Local Authority	Ok if standard construction
Flying Freeholds	Not acceptable
Freehold Flats	Not acceptable
Share of Freeholds	Must be a management company in place which can be owned fully or in part by the applicant
Length of Time Remaining on Lease	40 years after the mortgage term
Tyneside Lease	No
Max. Stories (flats)	6 floors
Non-Standard Constructions acceptable	Modern Methods of Construction (MMC) acceptable if BOPAS accredited construction. Must be self-build or new build. Max 25 year term, capital and interest only and max loan £250,000
Local Occupancy Restriction (Section 106)	Will be considered to 90% LTV of reduced valuation
Second Home (dependant relatives)	Only if all residents are party to the deeds and mortgage
Second Home (Holiday Home)	Refer to your BDM
Agricultural Ties	90% LTV (65% Age related) No Commercial element Repayment only (We need to see sight of the agricultural tie wording pre application)
Joint owner/Sole proprietor	Not acceptable
Leasehold house	Must be built before 2011

Self-Employed

Length of Trading Required	Where the business has been trading for less than two years, one years' accounts plus one year's projection will be considered.
Most Recent Income or Average Income	Latest year figures
Declining Profit	No
Limited Company allowable income	Share of net profit plus salary for income multiples. Drawings for affordability
Max. % shareholding to be classed as employed	Any
Proof of Income Required (Accounts/ SA302's)	Where self-employed, we will now accept two years accounts, reduced from three years. Where the business has been trading for less than two years, one years' accounts plus one year's projection will be considered. Two years personal Tax calculations are also required
Accountants Qualifications Required	Yes if full accounts cannot be provided
Max. Age of Accounts	12 months

Other

Expats	<i>Acceptable as long as they have returned at the start of the mortgage</i>
Foreign National Lending	<i>Not acceptable</i>
Foreign Currency Mortgages (applicants receive income in a foreign currently but live in the UK)	<i>Not acceptable</i>
Guarantors	<i>Refer but only if the applicant is marginally short on income</i>
Family Assisted	<i>Gifted Deposit and gifted equity is acceptable</i> <i>We will also allow a parent to be party to the mortgage and not live in that subject property</i>
Sole Name Applications for a Married Client	<i>We do not insist that married applicants are both named on the mortgage. However we cannot allow a remortgage from joint to sole name if both will remain in the property</i>
Number of Applicants	<i>4 Applicants we also include all 4 incomes</i>
Foreign Currency	<i>Not acceptable</i>
Crypto Currency	<i>Not acceptable as a source of deposit</i>